

October 14, 2008

FINANCE COMMITTEE REPORT

A Finance Committee meeting was held Tuesday, October 14, 2008 at 2:30 p.m. in the County Administration Building, Quorum Court meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Harrison, Hobbs, Stephenson, Summers, Williams, Wolf, Wozniak

Others Present: JP Hill, County Clerk Mary Lou Slinkard, Sheriff Keith Ferguson, Treasurer Deanna Ratcliffe, Richard McComas, Michele Anderson, Gene Drake, Don Townsend

Media: Scarlett Simms – Morning News; Tom Treweek – Benton County Daily Record

PUBLIC COMMENTS:

None

2009 Budget Discussion: Comptroller Richard McComas

Richard McComas stated that he would like to discuss various sections in the notebooks that have been prepared containing the proposed 2009 Budget.

He said that the committee has routinely asked for the percentage of the total budget taken up by personnel costs, and that information is in the notebooks showing that percentage for the last 4 years. He said the proposed budget contains a personnel cost of 69% of the total General Fund budget, and 59.74% in Other Funds, which is in line with years past.

Richard McComas noted that the current CPI is 6%. JP Summers stated that he believes the State of Arkansas is using 2.3%.

Richard McComas stated that the proposed 2009 Budget contains three new positions for the new courtroom that they must fund, a 3% salary increase for all county employees, salary increases for elected officials and JPs, and \$300,000 to be transferred from the Circuit Clerk at the beginning of 2009, and the one-time funding for the Washington County HIV Clinic position. He said it includes a projected property tax revenue increase of 4%, and a 3% projected increase in sales tax revenue. He noted that it does not include any of the requested wage adjustments or reorganizations, or any additional positions.

Richard McComas stated that he believes the property tax projection is conservative, because last year there was a 13% increase, but based on the collections they have received to this point, they still do not know if they are going to collect that 13%. He said that most of the Equalization Board appeals have resulted in decreases of those property values, so he decided to use a very conservative number of 4%.

The committee discussed the requested reorganizations and wage adjustments. Richard McComas stated that he would like a recommendation from the committee as to whether or not to include them in the proposed 2009 budget.

JP Summers asked why the wage adjustments were proposed. Richard McComas stated that the Election Commission has requested the increase for the Election Coordinator, and Human Resources Manager Barbara Ludwig recommended the increase for the CenCom Director.

JP Hobbs asked what source of information is used for external market equity for the Election Coordinator salary. Richard McComas stated that they look at the same position in other counties, and while it is classified as a part time job, the number of hours does not constitute a part time job. Barbara Ludwig stated that the current salary is below that of other counties that do not have the number of elections or voters that Benton County has. She said that the increase for the CenCom Director position is because he manages a 24/7 operation and the current salary does not compare to other directors of similar departments. JP Wozniak stated that if the salary is broken down to an hourly wage, it is easier to see that the pay is not that great an amount. Richard McComas stated that a page has been included showing a breakdown of the impact of new positions based on the rankings recommended by the Personnel Committee.

The committee discussed 2009 General Fund Revenue projections, and Richard McComas noted that the projections from 2008 and 2009 are not very far apart. JP Summers asked what the estimated loss in sales tax is in 2011. Richard McComas stated that he thinks it will be about \$2.5 million, or 25% of the sales tax revenue. JP Summers asked if there are any estimates concerning what delinquencies will do in 2008. Richard McComas stated that he estimates the same 4% increase for delinquencies that he did for property tax revenue, because they traditionally collect from 88% to 92% of the tax charge, due to delinquencies and exemptions. He said that he has no way of knowing the percentage that comes from residential or commercial, but that the Collector might be able to provide that information. JP Stephenson asked if they do not eventually get the delinquent taxes. Richard McComas stated that if they are ever paid at the state level, they do come back to the county, but the process takes anywhere from three to 5 years.

Richard McComas stated that 2009 Road Fund Revenue includes property taxes, state turnback funds, and the \$2,968,000 transfer from County General, while \$3,144,000 was transferred in 2008.

JP Williams asked for an explanation of "Natural Gas Severance." Richard McComas stated that it is a new payment that the County will be receiving next year, and is estimated based on information from the state.

JP Summers stated that in his experience, the Comptroller and his staff are accurate with revenue projections, and are usually very conservative. He added that he does not recall them ever failing to meet or surpass projections.

Richard McComas went over projected revenues from Other Funds, and explained that when they go over the expenditure summary for each fund, they will see that the amounts in the Revenue Summary will cover the expenditures in each fund.

JP Summers asked Richard McComas to explain for the committee how Excess Commissions are reimbursed. Richard McComas said that each time property taxes are collected, there is an amount held back, and at the end of the year the County Clerk calculates the Final Settlement, by taking the amount that was held back from the property taxes collected, after subtracting delinquencies and other adjustments from the original charge, and arrives at a net tax. He said that there are costs taken from that net tax, and those monies are distributed in the final settlement. He said that the Collector and Treasurer receive commissions from the taxes collected, and after subtracting their budget expenditures, the money that is left is "Excess Commissions", and is distributed back to the taxing entities. He said that the Assessor also receives commissions, but they are usually not as high as those received by the Collector and Treasurer.

JP Summers asked what the expectations are for the Employee Health Fund. Richard McComas stated that they are not asking for an increase in funding, and have not needed one for the last three years.

JP Hobbs asked if the \$5.3 million in Capital Projects is the amount for the beginning of 2009 or the end of 2009. Richard McComas stated that the amount is for the end of 2009, but \$1,020,000 is dedicated to the Sheriff's building, and \$100,000 is earmarked for the War Eagle Bridge renovation.

Richard McComas went over the Recap Sheet. He said that the amount in Column "A" is the balance they expect to have at the end of 2008, but that they should keep in mind that the cash balance on December 31, 2008 is what is in the checking account, including some \$3 million in investments, and the mandatory reserves still have to come out of this amount. He said that Column "B" is the total revenue that they just looked at, minus the 2% Treasurer's Commission, Column "C" is "A" and "B" added together, Column "D" and "E" are the transfers in and out of County General, Column "F" is the Adjusted Available Funds, 10% of which are held back as mandatory reserves, which is the \$4.6 million listed in Column "G". He said that Column "H" shows the amount after the Reserves have been subtracted from the Available Funds, Column "I" is the proposed Budget for County General and County Road, and "J" is the amount left after the budget is deducted. He said that the final amount in Column "K" is the amount left in Column "J" plus the mandatory reserves listed in Column "G".

JP Williams asked how long the statutory reserves are held in reserve. Richard McComas stated that they are held indefinitely, because by law, they can only budget up to 90% of the expected revenue. He said he believes that they would have to petition the legislature to spend the money, and only in the event of some catastrophic circumstances, which they have never had to do.

JP Summers stated it looks like the county is in fairly good shape, but they need to remember that they are facing two large requests for capital expenditures.

The committee discussed each departmental budget, and Richard McComas reminded the committee that the proposed budget contains a 3% increase for each employee, and the County Judge's budget does contain the HIV Clinic funding.

JP Hobbs asked if the Personnel budget in the County Judge's office contains the salary for the Administrative Assistant. Richard McComas stated that it does. JP Hobbs asked if they could discuss whether or not they want to fund an administrative assistant since the county has operated okay without one since March. JP Stephenson stated that since the current County Judge is leaving office, it would have been strange to fill the position with someone that the incoming County Judge might not have wanted. He said that the County Judge should be commended for making that decision, and he did not think that one person could fulfill all of the duties of the County Judge without an assistant.

JP Stephenson asked on what property the county is paying taxes. Richard McComas stated that the county pays property tax on the American Legion building, and also there were some prorated taxes upon the closing of the purchase of the medical clinic building in Siloam Springs. Richard McComas noted that all of the departments will see a decrease in salaries from 2008 to 2009, because the 2008 budgets had to be adjusted to include the 27th payroll.

Sheriff Keith Ferguson addressed the committee concerning the proposed minimum-security barracks next to the County Jail. He said that architect Gary Jackson has estimated that the building will cost \$2.1 million, but the Sheriff thinks that they can build it for less because most of the labor will be provided by inmates. He said that he plans to make a presentation at tonight's Committee of Thirteen meeting. JP Wozniak asked how many new positions will be needed to operate the facility. He said that he and Captain Hunter Petray disagree, because Captain Petray believes it will need 19 positions, and the Sheriff thinks that it will only take about 12. He said they patterned it after the Washington County facility, and they have eight or nine people staffing it. Richard McComas reminded the committee that the proposed budget contains \$1,020,000 in Capital Projects for this building. JP Hobbs asked how long it would take to complete the building if he had the \$2.1 million. Sheriff Ferguson stated that if they could get the foundation and dirt work done they could probably get it enclosed in a month and half or so. The committee went over the Jail budget and the Jail Transport budget. JP Summers asked what the starting salary is for new deputies. Richard McComas stated that the base salary is \$14.61 with the 3% increase.

Richard McComas noted that in 2008, \$290,000 was transferred from County General to the Jail Transport Fund, but due to some fines that are being collected; they are estimating that the 2009 transfer will only be \$195,000. He added that they are budgeting additional money for overtime, because this is the area where they are hit hardest. JP Stephenson asked why meals for deputies on the road are taken out of the Jail budget instead of the Jail Transport budget. Richard McComas explained that there is only enough money generated from fees to cover salaries, and it still has to be supplemented from County General.

JP Hobbs asked if they have looked at the cost of adding another position versus paying so much overtime. Richard McComas stated that they have, and will continue to monitor it. The committee discussed the costs of transporting prisoners from all over the country.

Sheriff Ferguson discussed how many overtime hours are spent when a large undercover operation is underway, such as the one in the news recently. Richard McComas stated that they are now able to provide reports tracking overtime hours, so they are able to better prepare for it.

The committee went over the rest of the budgets requests, noting the purchase of new furniture for Robin Green's office, because most of the furniture currently in the office belongs to the outgoing judge, and an additional position on Judge Duncan's staff. He noted that this is one case where it was more cost-effective to hire a full-time person rather than continue to use hours in the part-time pool.

Richard McComas stated that the County Attorney salary will be reduced because there will be a new person in the position, and the salary for the outgoing County Attorney was above the midpoint.

Richard McComas noted that the Department 23 budget is somewhat less for 2009, because the 2008 budget included the cost for the Siloam Springs County Health Department and the renovation costs for the new courtroom.

JP Stephenson asked for an explanation of "Non-Departmental" expenses. Richard McComas explained that it is for expenses which cannot be assigned to any specific department, such as the funding for Ozark Regional Transit.

JP Summers noted that the Election Commission budget is much smaller because it will be a non-election year.

Richard McComas explained that the Coroner's salary has been set at 95% of the maximum along with the other elected officials, as was decided by the committee last week.

JP Summers explained that the accounting staff has been meeting with department heads for over a month, so this is not the first time these numbers have been seen.

The committee discussed the number of vehicles in the Environmental and Planning Departments. JP Summers noted that one position was eliminated in Planning last year, and asked if that vehicle had been reassigned, because the Environmental Department is requesting an additional vehicle. County Judge Gary Black stated that he has spoken with Environmental Director Jim Ecker, and they will be happy to accept the truck from the Planning Department.

Richard McComas noted that \$367,000 in Department 47 is the final payment on the 5-year loan which purchased several fire trucks for various fire departments throughout the county.

JP Stephenson asked for an explanation of how the County Agent is funded. Richard McComas explained that the county has a contract with the University of Arkansas Agricultural Department in order to provide an extension office for county residents. JP Stephenson asked how many employees are provided. Richard McComas stated that there is only a specific amount of money in the contract, not a specific number of employees.

Richard McComas stated that the Veteran's Services office is requesting an automobile which would be more fuel-efficient to replace the van, because they no longer transport all of the medical equipment as they did when the van was donated by Wal-Mart. JP Summers asked if they had calculated the cost of mileage versus the cost of a vehicle. County Judge Gary Black stated that with the amount of traveling the Veteran's Services Officer does, he did not think it would be cheaper, but he would check on it again.

The next department discussed was the new Circuit Court Division. JP Williams asked if the budget contains the new positions that are needed. Richard McComas stated that the Court Orders Clerk and Court Reporter are in this budget, and the Sheriff's Department budget contains the Bailiff. JP Summers noted that they are paying more and more for court-appointed attorneys. Richard McComas stated that it is up around \$110,000, and are often required for the Juvenile Court because minors have to have representation separate from their parents.

Richard McComas noted that Department 66 will be lower this year due to the Bella Vista Incorporation; it is for the cost of removing hazardous materials and the cities are responsible for their own, and that CenCom's budget is about the same as the 2008 budget.

Richard McComas stated that the Jail Court budget will be lower, because under the new program, the state will pick up the cost in addition to their portion of the salaries of the District Court judges.

The committee decided to complete the budget review before recommending any changes in the proposed budget.

After motion and second the meeting adjourned at 4:45 p.m.